

SENATE RULES COMMITTEE	SB 1962
Office of Senate Floor Analyses	
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## THIRD READING

Bill No: SB 1962  
Author: Costa (D)  
Amended: 5/2/00  
Vote: 21

SENATE ENERGY, U.&C. COMMITTEE : 10-0, 4/25/00  
AYES: Bowen, Brulte, Hughes, Kelley, Mountjoy, Murray,  
Peace, Solis, Speier, Vasconcellos  
NOT VOTING: Alarcon

SENATE APPROPRIATIONS COMMITTEE : Senate Rule 28.8

SUBJECT : Petroleum products: reports

SOURCE : California Independent Oil Marketers  
Association

DIGEST : This bill requires oil refiners and major  
marketers to report more specific data to the California  
Energy Commission.

ANALYSIS : Current law requires oil refiners to report  
specified information regarding their refinery inputs and  
outputs to the California Energy Commission (CEC).

Current law requires major marketers, as defined, to report  
on their petroleum product receipts, inventories, and  
distributions to the CEC.

Current law requires the CEC to analyze that information  
with regard to the nature of any fuel shortages and price

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changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline. Further, the bill requires the CEC to gather, analyze and interpret information on sales of fuels to unbranded retail markets.

Background :

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

Current law charges the CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency the CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For example, if there were a shortage of diesel fuel in the Fresno area and such shortage meant that farmers could not operate the necessary equipment to get their product to market, the CEC could order one or more wholesalers of diesel fuel to make supplies available in Fresno. High fuel prices, while being annoying and disruptive, don't qualify as an emergency under the law.

Comments :

A More Complete Picture . The author believes giving the CEC the authority to track unbranded gasoline supplies, imports, and exports is critical to helping the CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.

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Price Spikes . California's experience over the last several years shows that any disruption in refinery

operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."

FISCAL EFFECT : Appropriation: No Fiscal Com.: Yes  
Local: No

SUPPORT : (Verified 5/12/00)

California Independent Oil Marketers Association (source)

NC:jk 5/17/00 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

\*\*\*\* END \*\*\*\*